



Comptroller of the Currency  
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# Community Developments

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## **Sourcing Small- and Minority-Business through the Minority Business Development Agency**

by Ronald N. Langston, *National Director, Minority Business Development Agency*



There is no question that globalization has changed the way American banks do business.

As the minority population of the United States grows shifting the demographic makeup of the United States, there will be substantial opportunities for American financial institutions to tap into the needs of the growing minority business community. The U.S. Department of Commerce's Minority Business Development Agency (MBDA) can assist lenders in targeting these markets.

Over the past 30 years, MBDA, under the Department of Commerce, has worked on behalf of minority-owned businesses nationwide. Since its inception in 1969 MBDA has been the only federal agency specifically created to foster the establishment and growth of minority-owned firms. Over a 30 year period, the agency has funded business development centers around the country to provide technical assistance, and through its network, has assisted firms in identifying and obtaining market opportunities and financing sources.

### ***MBDA's technical assistance resources***

MBDA has five National Enterprise Centers throughout the country (Atlanta, Chicago, Dallas, New York and San Francisco) and four District Enterprise Centers (Boston, Los Angeles, Miami and Philadelphia). These regions represent the areas where the largest concentration of minority firms exists.

There are three core MBDA programs to assist minority firms with expansion, acquisitions, and business development. These programs are:

- The Minority Business Development Centers (MBDCs).
- The Native American Business Development Center (NABDCs).
- Minority Business Opportunity Committees (MBOCs)

To receive services through the Centers or through MBDA's other programs, a business owner must be African-American, Hispanic or Latino, Asian-Pacific Islander, Native-American or Alaska Native or a Hasidic Jew. Currently, there are 27 Minority Business Development Centers and 7 Native American Business Development Centers (visit [www.mbda.gov](http://www.mbda.gov) for locations) throughout the country,

where MBDA provides individualized assistance in all areas of business, including administration, business planning, marketing, bidding and loan packaging to finance transactions.

The MBOC program, administered by nine MBOCS throughout the country, coordinates federal, state and local business resources to increase market access for minority-owned firms. The MBOC is composed of business leaders in local communities and is tasked with identifying procurement and contract opportunities, and likely sources of financing. Senior level representatives of financial institutions and large local companies are frequent members of the MBOCs.

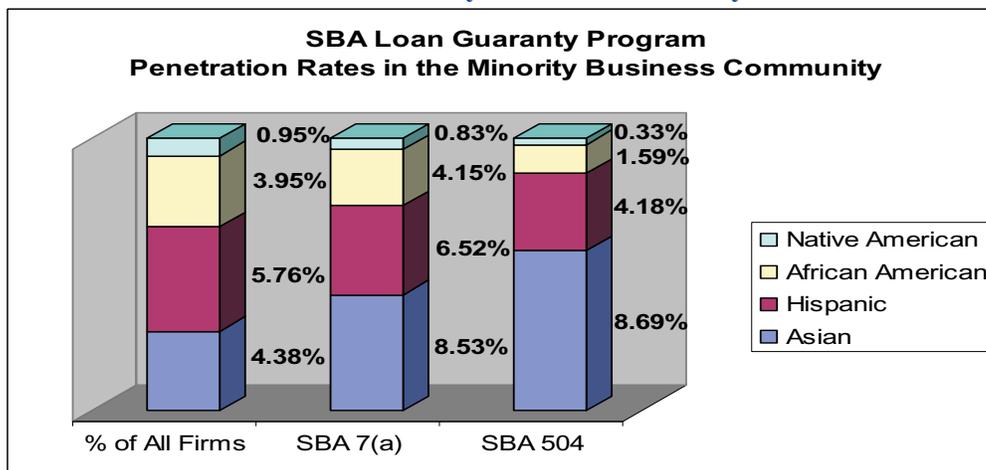
MBDA currently is redesigning its Minority Business Development Centers to focus on:

- Existing businesses with minimum annual revenues of \$500,000.
- Emerging business with the potential for growth.

This segment of the marketplace was identified primarily because these businesses generate over 65 percent of total minority revenues and 55 percent of the total employment. While producing significant employment and revenues, businesses of this size are generally overlooked by service providers.

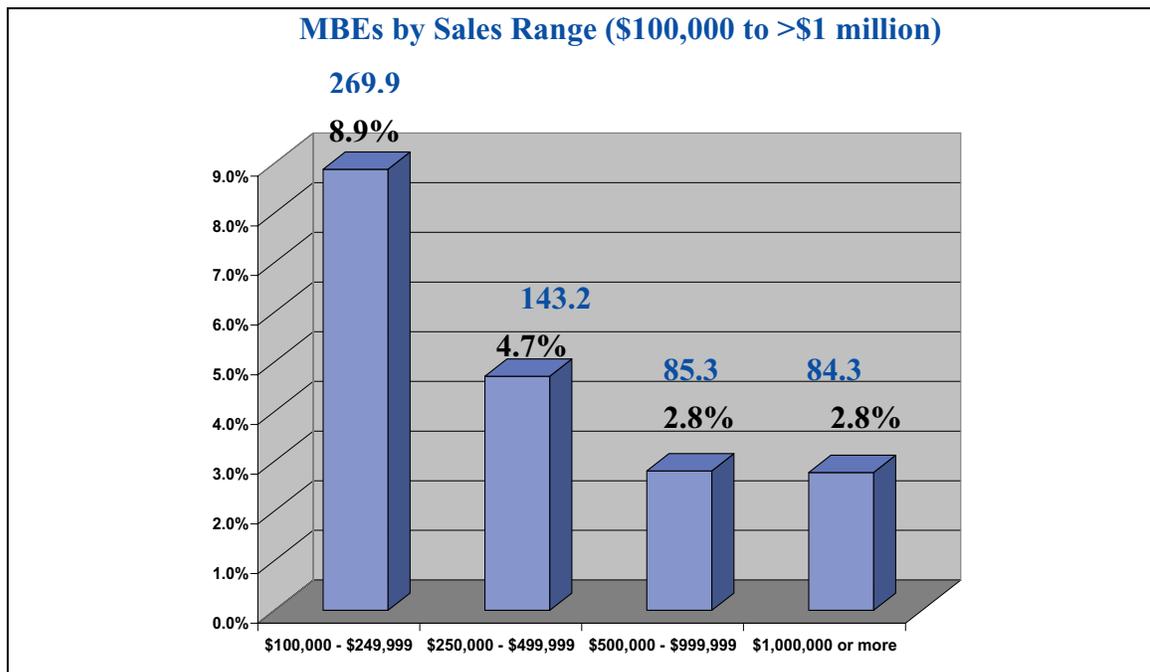
In contrast, micro-enterprises, upon which MBDA had historically focused, are serviced by SBA’s small business development centers, Community Development Financial Institutions, and Community Development Corporations. Firms in this size range constitute 80 percent of all minority businesses and are responsible for 5.4 percent of the employment and 8.3 percent of revenues generated by minority firms. It should be noted that the NABDC program is not included within this restructuring.

### SBA 7(a) and 504 Loan Guaranty Program Penetration Rates in the Minority Business Community



Source: U.S. Small Business Administration, Office of Advocacy

MBDA continues to support utilization of guarantee programs (federal and state government) and creative programs, such as its Capital Access Program, to bridge the financing gap to increase capital availability for minority firms. As shown in table above, over a 10-year period (1990-2000), through the use of the SBA 7(a) loan program and the SBA 504 loan programs, minority firms received 20 percent of total 7(a) loans and 15 percent of 504 loans. In addition, the Community Express Program makes the majority of its loans (57 percent) to minority businesses. This is currently a demonstration project, and MBDA would like to work with the SBA to expand this program and ensure its permanency.



Source: U.S. Census Bureau. July 2001. *1997 Economic Census, Survey of Minority-Owned Business Enterprises, Company Statistics Series*. U.S. Department of Commerce, Economics and Statistics Administration. Note: **Blue numbers** reflect the actual number of minority-owned businesses (in thousands); **black numbers** reflect the percent of businesses within that particular sales range are minority-owned businesses.

### *New MBDA initiatives in 2004*

To increase the quality of its service provision to these firms, MBDA is implementing, effective January 2004, a new and innovative Strategic Growth Initiative. In partnership with the Tuck School of Business Administration at Dartmouth College, MBDA will increasingly focus its services on minority firms with more than \$500,000 in annual revenues or emerging businesses. The emphasis on these firms with the greatest potential will result in a greater economic impact to the U.S. as well as development within minority communities. These are the firms that can create much-needed jobs in inner city and rural areas and improve the overall domestic output. To maximize its ability to impact minority employment and communities, MBDA will emphasize the development of businesses that can meet these needs.

MBDA would like to partner to a much greater extent with national banks who are looking to increase their penetration of minority firms. While some of our centers work closely with the financial community, the core competency of others may be in contracting or procurement assistance. With MBDA's increasing standardization of services, the agency would like to develop much closer col-

laborations with financial institutions, so that the centers can increasingly serve as financing intermediaries.

The agency has several pilot programs that will augment the MBDC program. One example is the MBDA's Equity Capital Access Project which involves high-growth minority firms, that are seeking equity capital, the opportunity to present their business concepts to venture capital providers. Another initiative, being administered by MBDA's New York office, involves a development program for larger businesses, in which staff will facilitate contracting and financing transactions for these firms. A pilot being implemented in mid-2004 will help minority firms provide products and services to larger companies in a few rapidly growing industries.

For more information about the agency and the minority business community, please visit [www.mbda.gov](http://www.mbda.gov). This site contains valuable information on emerging markets, finance, and loan criteria for conventional, SBA guaranty loans and other federal loan programs and studies on technology and capital markets.

MBDA is committed to continue finding ways to promote the creation and expansion of minority firms by lowering barriers to financial services and increasing finance opportunities. Given MBDA's new direction to focus on mid-size and emerging businesses and by standardizing its delivery system, MBDA is poised to serve as the catalyst to organize and assist the financing networks to identify and fund minority firms that will offer great business opportunities. Through effective utilization of financial partners and government loan programs, MBDA will help minority firms access capital to sustain and expand their business growth. Greater financial successes for minority firms will result in benefits for the overall economy and create additional jobs and revenues.

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